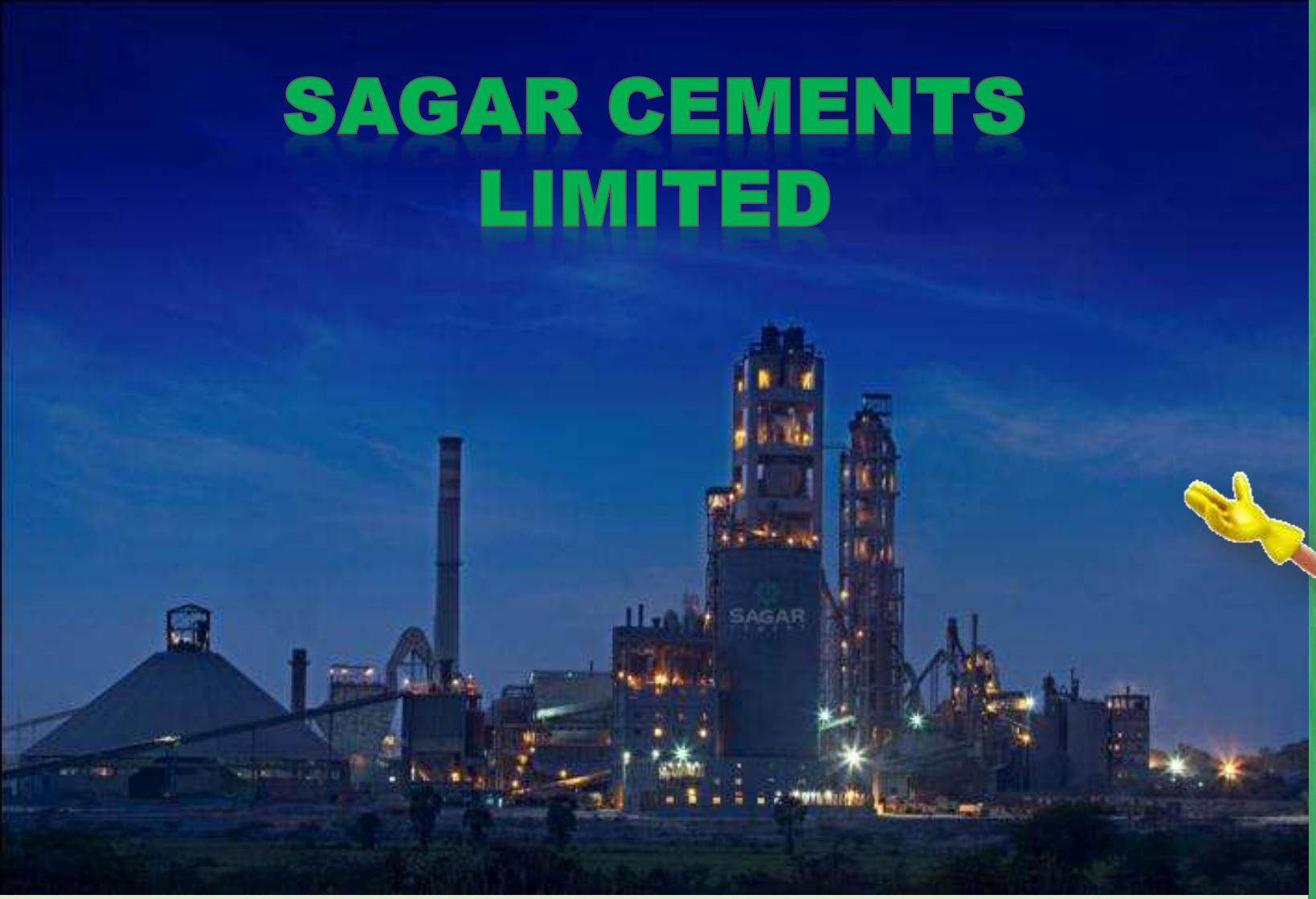
SAGAR CEMENTS LIMITED



Investor / Analyst Presentation

Q1 FY15

Industry Overview

Early signs of demand recovery visible in Q1 on the back of political stability

Improving sentiment of real estate sector likely to have a positive rub-off on demand

Recovery in demand translating to gradually improving utilization

Optimism of increase in government projects in the current year

Industry Overview

Perspective on Cement Prices

West

- Cement prices increased by Rs.38/- bag in August 2014 vis-à-vis August 2013.
- Prices in Mumbai & Pune stood at Rs. 315 per bag in the first week of August 2014.
- Average prices in the region stood at Rs. 311/bag in August 2014.

South

- Average Prices in Seemandhra and Telangana increased by Rs.30, & stood at Rs.313/bag in August 2014 vis-a-vis Rs.283/bag in August 2013.
- Average prices in the Southern markets stood at Rs.304/bag in August 2014 in comparison to Rs. 267/bag in August 2013.

SAGAR CEMENTS - PERSPECTIVES

Highlights

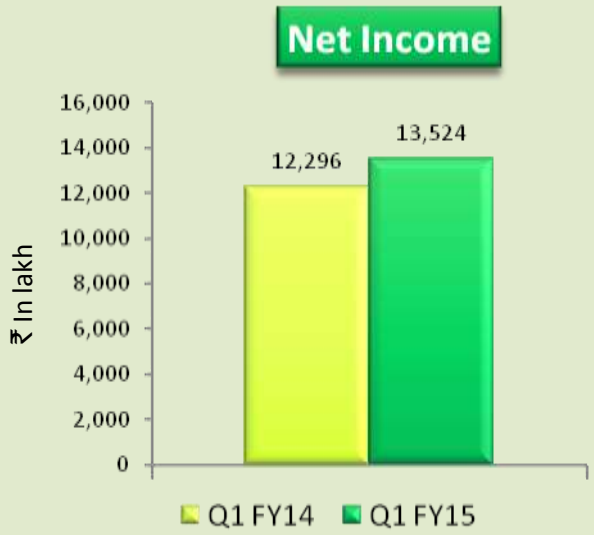
Performance Highlights (Q1 FY15)

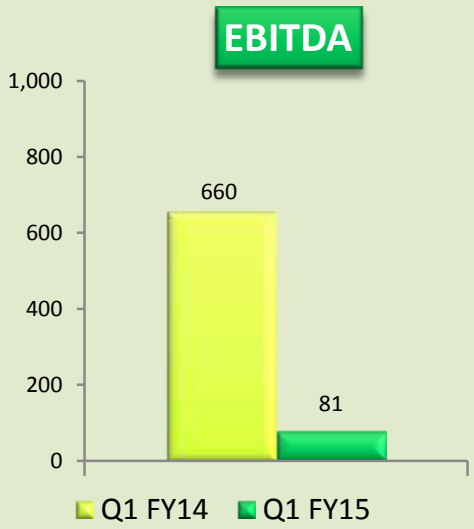
- Total Income increased by 10.0% to ₹ 13,524 lakh
- EBITDA decreased to ₹ 81 lakhs vis-à-vis ₹ 660 lakhs in Q1 FY 14
  - EBITDA Margins stood at 0.59%
- Loss at ₹ 860 lakh vis-a-vis loss of ₹ 469 lakh in Q1 FY14
- Diluted EPS (non-annualized) at ₹ (4.95)
- Plant operating at around 60% capacity

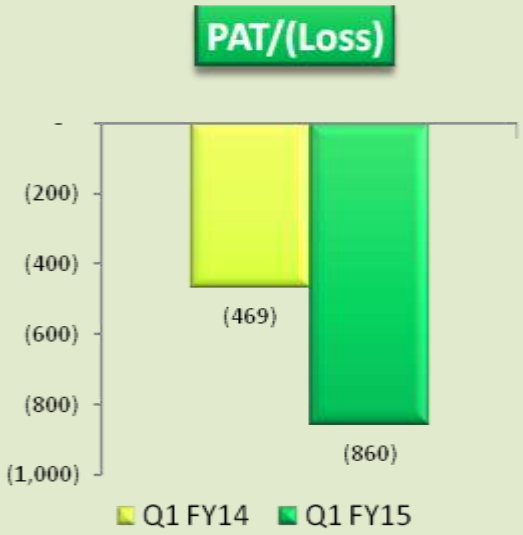
Exit from Vicat Sagar JV

- Sagar Cements Limited, pursuant to receiving Board of Directors approval, proposes to exit the Vicat Sagar JV
  - Proposes to sell entire stake of 6,52,36,399 equity shares held in the Joint Venture for a total consideration of ₹ 435 crore (₹ 66.68 per equity share) to M/s. Parficim S.A.S., France, an affiliate of Vicat S.A., France
  - Shareholder approval awaited.
- Sagar's investment was ₹ 86 crores ,for a 47% stake in the Joint Venture
- This transaction is the result of a strategic decision taken by both entities to enable each one, to focus on its own strengths and capabilities, to create value and drive growth
- Propose to utilize the proceeds from this stake sale towards; inter-alia,
  - Purchase of capital equipment for Mattampally plant
  - Partial retirement of debts
  - Organic and inorganic growth opportunities – focus on playing a larger role in the cement industry in South India

Q1 FY15 Performance Review







- Total Income from operations higher by 10.0% to ₹ 13,524 lakh from ₹ 12,296 lakh in Q1 FY14
- EBITDA stood at ₹ 81 lakh as compared to ₹ 660 lakh in Q1 FY14
  - EBITDA Margins decreased from 5.37% in Q1 FY14 to 0.59%
- Loss stood at ₹ (860) lakh compared to a loss of ₹ (469) lakh in the corresponding quarter last year
- Diluted EPS (not annualized) at ₹ (4.95) for Q1 FY15

Executive Director's Comment

Commenting on the performance, Mr. Sreekanth Reddy, Executive Director of the Company said,

"A gradual uptick in demand and a low base of last year has translated to healthy growth in topline. The realizations improved towards the end of the quarter and hence are not reflected in the earnings performance. With political stability in India as well as our region of operations, we expect the demand environment to improve further in the second half of this fiscal. This should translate to better utilization levels. We also expect the full benefits of price hikes to kick-in Q2 onwards.

The proposed railway siding work is progressing well and is expected to be complete and operational by the end of FY15 and can be expected to contribute to improved efficiencies.

During the quarter, the Board of Directors also approved the exit from our JV with Vicat for a total consideration of ₹435 crore, subject to shareholder approval, with a view to leverage on our strengths and explore opportunities to expand our scale and presence, particularly in South India."

Realization & Utilization

Matampally Plant

Gross Realisations (₹/tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Overall Average	4,865	4,678	4,476	4,230
AP	5,097	4,762	4,685	4,343
OAP	4,619	4,602	4,261	4,099
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Overall Average	4,429	4,655	4,623	4,195
AP	4,554	5,363	5,173	4,421
OAP	4,298	4,142	4,196	3,933
	Q1 FY15			
Overall Average	4,302			
TG	5,160			
OTG	4,225			

Utilisation (%)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Cement	60	54	54	68
Clinker	59	65	60	67
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Cement	53	42	49	67
Clinker	68	48	56	74
	Q1 FY15			
Cement	60			
Clinker	75			

Coal Prices

Q3 FY13

- Singareni coal: Large quantity sourced.
- Domestic : International coal mix was 45:55

Q4 FY13

- Domestic : International coal mix was 55:45
- Singareni Coal: Reasonable quantity sourced

Q1 FY14

- Domestic : International coal mix was 60:40
- Singareni Coal: Reasonable quantity sourced

Q2 FY14

- Domestic : International coal mix was 70:30
- Singareni Coal: Reasonable quantity sourced

Q3 FY14

- Domestic : International coal mix was 78:22
- Singareni Coal: Reasonable quantity sourced

Q4 FY14

- Domestic : International coal mix was 75:25
- Singareni Coal: Reasonable quantity sourced

Q1 FY15

- Domestic : International coal mix was 38:62
- Domestic Coal: Limited quantity sourced due to price hikes considered by Singareni

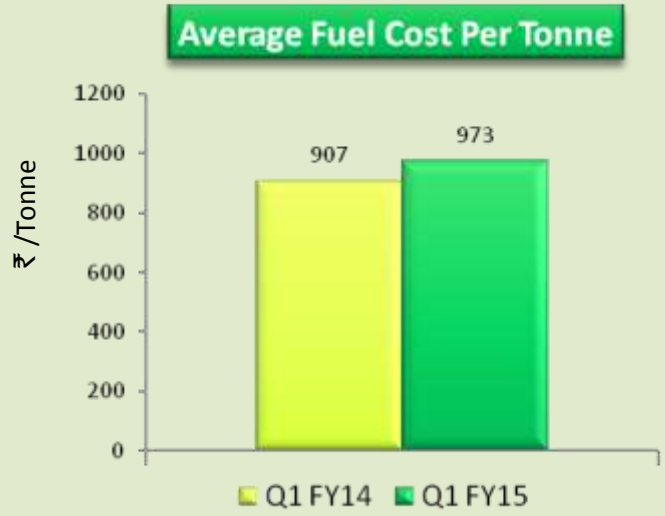
Coal Cost (₹/Tonne)				
	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13
Indian Average	3,849	3,908	4,613	4,558
Imported Coal Average	5,350	5,022	4,967	4,498
	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Indian Average	4,618	4,582	4,551	4,442
Imported Coal Average	4,273	4,850	7,065	6,924
	Q1 FY15			
Indian Average	4,862			
Imported Coal Average	5,315			

Operations Overview

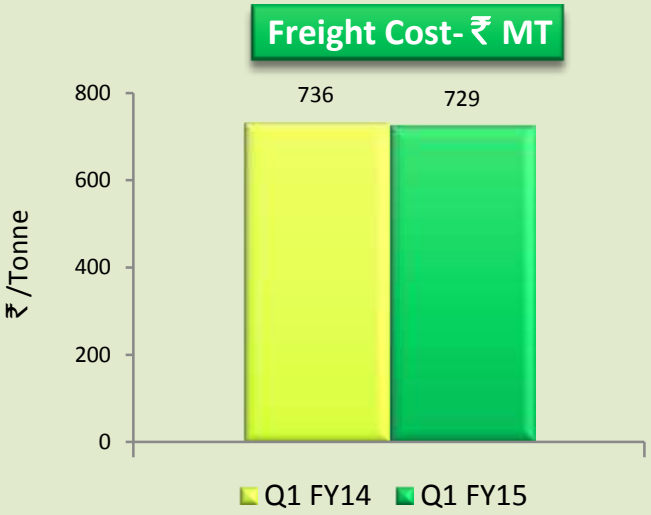
Production (MT)	April	May	June	Total
Clinker	1,57,200	1,32,820	81,820	**3,71,840**
Cement	1,38,360	1,39,395	1,29,837	**4,07,592**

Description	Cement Sales ('000'MT)	Value ₹ Lakh (net of excise & VAT)	Net Realization ₹/Mt
Q1 FY15	**406**	**13,524**	**3,331**
Q1 FY14	360	12,296	3,416
% Shift	*12.8*	*10.0*	*(2.5)*

Cost Overview

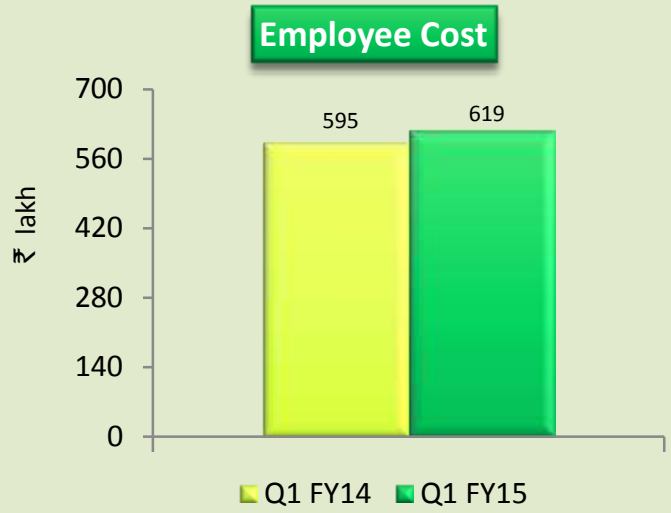


- Increase in Price of domestic as well as imported coal and change in coal mix

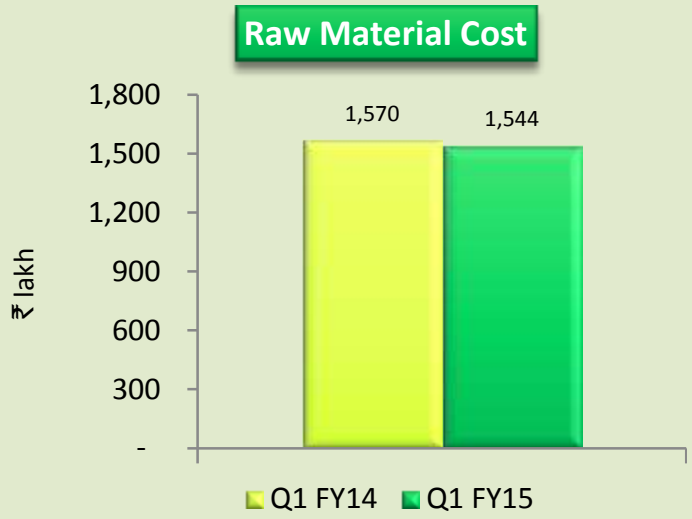


- Freight per ton decreased due to difference in lead distance

Cost Overview



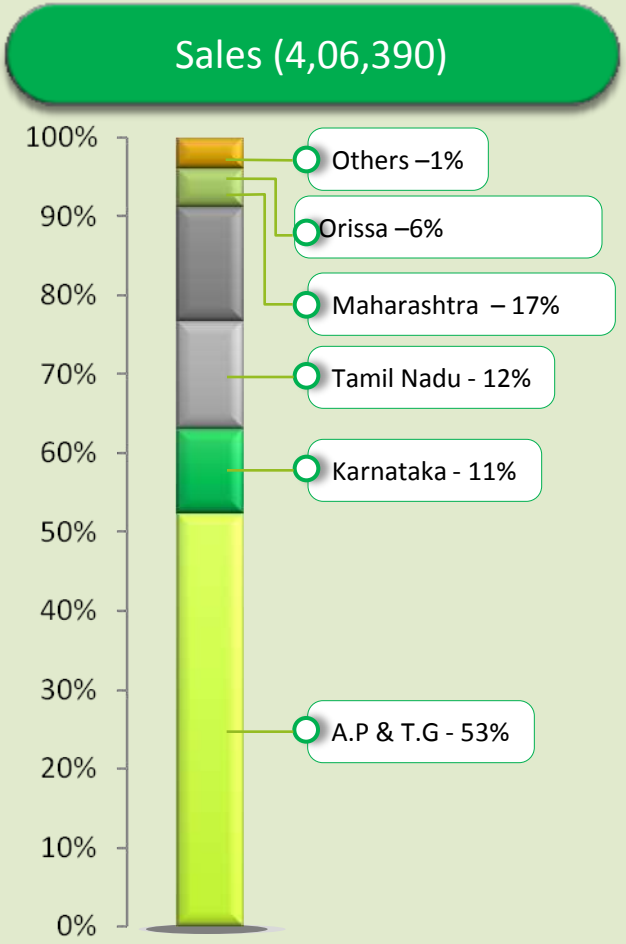
- Employee costs were higher due to salary increments to employees



- Marginal decrease in raw material costs on account of lower mining expenses

Plant Highlights

- During Q1 FY15, the plant operated at reasonable utilization levels producing 371,840 tons of clinker and 407,592 tons of cement
- Utilization levels for clinker : 75%
- Approximately 47% of cement dispatches was to various markets outside Andhra Pradesh & Telangana)



Sales in Q1 FY15 vs. Q1 FY14

	Q1 FY15		Q1 FY14	
Markets	Quantity (in Tonnes)	% of Total Sales	Quantity (in Tonnes)	% of Total Sales
Andhra Pradesh & Telangana	216,558	53.30	184,976	51.42
Karnataka	43,758	10.77	39,910	11.09
Tamil Nadu	47,619	11.72	49,073	13.64
Maharashtra	67,399	16.58	54,483	15.15
Orissa	25,391	6.25	17,547	4.88
Others	5,665	1.38	13,750	3.82
Total	**4,06,390**	**100.00**	**359,739**	**100.00**

Dispatches by Road & Rake

DISPATCH DETAILS					
TPT	**Q1 FY14**	**Q2 FY14**	**Q3 FY14**	**Q4 FY14**	**TOTAL**
BY ROAD	361,042	277,970	324,774	450,710	**1,419,829**
BY RAKE	-	2,688	2,645	-	**5,333**
TOTAL	**361,042**	**280,658**	**327,419**	**4,50,710**	**14,19,829**
TPT	**Q1 FY15**				
BY ROAD	4,05,886				
BY RAKE	-				
TOTAL	**4,05,886**				

New Railway Line

- Total Investment for new railway line – ₹ 123 crore
- Completion of the new railway line will lead to better efficiency and savings in costs
- Dispatches by rail expected to go up by 20%
- Project Completion - FY15

Key Balance Sheet Items

- Gross debt as on 30th June 2014 stood at ₹ 21,469 lakh out of which ₹ 14,552 lakh is long term debt with the remaining constituting working capital
- The Net Worth of the Company as on 30th June 2014 was ₹ 23,227 lakh
- Cash & Bank Balances held by the Company at the Balance Sheet date was ₹ 581 lakh
- Investments stood at ₹ 8,603 lakhs
- Debt : Equity Ratio as on June 30, 2014 stood at 0.63 : 1

Sales Outside AP

Historical trend cement sales OAP

				Q1 FY15
OAP Sales				47%
	Q4 FY14	Q3 FY14	Q2 FY14	Q1 FY14
OAP Sales	46%	57%	58%	49%
	Q4 FY13	Q3 FY13	Q2 FY13	Q1 FY13
OAP Sales	46%	49%	52%	48%
	Q4 FY12	Q3 FY12	Q2 FY12	Q1 FY12
OAP Sales	49%	48%	48%	40%

Sales in regions OAP have remained stable over the last 2 years

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